

Message Text

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ACTION EB-04

INFO OCT-01 SS-04 ISO-00 NSC-04 NSCE-00 INR-01 CIAE-00

RSC-01 /015 W

----- 119424

O R 101312Z JAN 75

FM AMEMBASSY BRUSSELS

TO USDEPT OF TREASURY WASHDC IMMEDIATE

INFO SECSTATE WASHDC 2875

AMEMBASSY JIDDA

C O N F I D E N T I A L SECTION 1 OF 2 BRUSSELS 0193

LIMDIS GREENBACK

FROM PARSKY FOR SECRETARY SIMON

STATE FOR INGERSOLL AND ROBINSON

E.O. 11652: GDS

TAGS: EFIN, SA, ENRG, EINV

SUBJ: VISIT TO SAUDI ARABIA -- JANUARY 4-6--BY ASSISTANT SECRETARY
PARSKY

1. SUMMARY: DURING VISIT, I HAD INDIVIDUAL TALKS WITH GOVERNOR QUARAISHI OF SAMA, ZAKI YAMANI, HISHAM NAZER, AND TWO SESSIONS WITH MOHAMMED ABA AL-KHAIL AS WELL AS TWO DAYS OF MEETINGS WITH DR. SOLIMAN SOLAIM AND REPRESENTATIVES OF ALL FOUR WORKING GROUPS ESTABLISHED UNDER THE JOINT COMMISSION.

THE TALKS WERE VERY PRODUCTIVE AND ARE DETAILED BELOW.
I HAVE THE FOLLOWING GENERAL OBSERVATIONS:

A. TWO DAYS AGO, THE KING SIGNED OFF ON DEFINITIVE PROPOSALS RELATING TO OUR JOINT COMMISSION. ACCORDING TO DR. SOLAIM AND OTHERS THIS WAS VERY SIGNIFICANT FOR IT ALLOWED THEM TO TALK CONCRETELY ABOUT PROGRAMS. SEVERAL PEOPLE, INCLUDING MINISTER ABA AL-KHAIL, SAID
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THAT OUR TRIP AT THIS TIME WAS VERY IMPORTANT. IT

APPARENTLY WAS INSTRUMENTAL IN GETTING THE GOVERNMENT TO FOCUS ON THE COMMISSION, AND THE SAUDIS WERE MOST GRATEFUL THAT WE CAME.

B. THE AREAS WHICH THE KING APPROVED AND FOR WHICH I AM DEVELOPING CONCRETE PROGRAMS INCLUDE VOCATIONAL TRAINING; AGRICULTURE; STATISTICS; HIGHER EDUCATION; A CENTRAL NATIONAL SCIENCE AND TECHNOLOGY CENTER; AND USE OF THE CORPS OF ENGINEERS WITH THE PUBLIC WORKS DEPARTMENT. SOME OF THESE, ESPECIALLY IN AGRICULTURE, COULD BEGIN BEFORE THE COMMISSION MEETING IF WE WANT.

C. THE SAUDIS AGREED TO HAVE 4 TO 6 PEOPLE FROM THE US JOIN THE JOINT COMMISSION OFFICE IN RIYADH. THESE PEOPLE WOULD BE RESPONSIBLE FOR THE SUBSTANTIVE PROGRAMS AS WELL AS ADMINISTRATIVE ARRANGEMENTS FOR THOSE EXPERTS COMING TO SAUDI ARABIA. THEY ALSO AGREED TO THE ESTABLISHMENT OF A JOINT COMMISSION OFFICE IN WASHINGTON BUT THE STAFFING OF THIS WILL UNDOUBTEDLY TAKE MORE TIME.

D. THEY SAID THAT THE TECHNICAL COOPERATION AGREEMENT SHOULD BE READY TO BE SIGNED WITHIN A WEEK. I URGED THAT THIS BE SIGNED AS SOON AS POSSIBLE AND NOT WAIT FOR THE COMMISSION MEETING.

E. THEY ASKED THAT WE EXPLORE A RECIPROCAL INVESTMENT GUARANTEE AGREEMENT. I EXPLAINED THAT THE OPIC AGREEMENT IS PROCEDURAL IN NATURE. THEY ASKED FOR THE DRAFT AGREEMENT THAT JIM AKINS HAD AND WE AGREED TO GIVE IT TO THEM FOR REVIEW. HOWEVER, THEY ALSO WANT US TO EXPLORE THE POSSIBILITY OF A RECIPROCAL AGREEMENT THROUGH A FCN TREATY OR OTHERWISE. IN FACT, WE HAVE A 1933 FCN TREATY THAT WE AGREED TO REVIEW.

2. MEETING WITH ZAKI YAMANI. MY MEETING WITH YAMANI WAS CORDIAL AS USUAL. WE REVIEWED THE COMMISSION ACTIVITIES TO DATE. HE SAID THAT WE HAD TO COME FORTH WITH SOME IMAGINATIVE PROPOSALS. I EXPLAINED THAT WE

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HAD SUBMITTED THE "DEVELOPMENT ENTERPRISE" OR "IMPLEMENTATION ORGANIZATION" PROPOSAL WHICH WAS NOT AGREED TO. HE SAID HE HAD NOT BEEN AWARE OF IT BUT LIKED THE IDEA AND WOULD INQUIRE FURTHER. HE INDICATED THAT SUCH AN ORGANIZATION, AIMED INITIALLY AT INFRASTRUCTURE DEVELOPMENT, WOULD BE A SOUND IDEA. WE ALSO TALKED ABOUT ENERGY AND INVESTMENT ISSUES BRIEFLY WHICH I WILL DISCUSS WITH YOU ON RETURN.

3. MEETING WITH GOVERNOR QUARAISHI. SOME OF SUBSTANCE OF MEETING PREVIOUSLY REPORTED. THIS IS SUPPLEMENTAL. WE DISCUSSED THE PROGRESS OF THE COMMISSION, THE SPECIAL PROCEDURE FOR SAUDI PRUCHASE OF GOVERNMENT SECURITIES, SAUDI INVESTMENT POLICY IN GENERAL, AND SAUDI ATTITUDE TOWARD RECYCLING. HE SAID THAT THE COMMISSION EFFORT WAS VERY IMPORTANT BECAUSE IT WOULD SET THE FRAMEWORK FOR ALL US-SAUDI COOPERATION AND COULD EFFECT INVESTMENT DECISIONS. HE SAID THAT HE WAS QUITE PLEASED WITH THE SPECIAL PROCEDURE SET UP WITH THE FEDERAL RESERVE BANK OF NEW YORK. HE SAID THEY HAD NOT PARTICIPATED IN LAST OFFERING BECAUSE OF THEIR HOLIDAY BUT SAID THEY WOULD IN THE NEXT. HE SAID THEY WERE CONSIDERING LONGER TERM INVESTMENTS AND EQUITIES AND WOULD PROBABLY MOVE MORE INTO EQUITIES IN THREE MONTHS. IN DISCUSSING ECYCLING AND THE US "SAFETY NET" PROPOSAL, HE WELCOMED ENERGY CONVERSATION FOR THE CONSUMING COUNTRIES. HE SAID, HOWEVER, THAT ANY PROPOSAL WHICH DIDN'T INCLUDE THE OIL PRODUCERS DIRECTLY WAS NOT ADDRESSING THE ISSUE. I EXPLAINED THAT OUR PROPOSAL WAS SUPPLEMENTARY TO THE IMF AND THAT WE HAD PROPOSED A TRUST FUND IN ADDITION WHICH HE INDICATED WAS A GOO IDEA. HIS DEPUTY WILL BE COMING TO THE US NEXT WEEK AND ASKED THAT WE SPEND SOME TIME TOGETHER THEN WHICH I AGREED TO DO.FIRESTONE

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ACTION EB-04

INFO OCT-01 SS-04 ISO-00 NSC-04 NSCE-00 INR-01 CIAE-00

RSC-01 /015 W

----- 119826

O R 101312Z JAN 75

FM AMEMBASSY BRUSSELS

TO USDEPT OF TREASURY WASHDC IMMEDIATE

INFO SECSTATE WASHDC 2876

AMEMBASSY JIDDA

C O N F I D E N T I A L SECTION 2 OF 2 BRUSSELS 0193

LIMDIS GREENBACK

FROM PARSKY FOR SECRETARY SIMON

STATE FOR INGERSOLL AND ROBINSON

4. MEETING WITH HISHAM NAZER. AS USUAL, HE WAS VERY FRANK AND DIRECT. HE EXPLAINED THAT HIS SKEPTICISM ABOUT THE COMMISSION WAS RELATED TO HIS IMPATIENCE WITH GETTING ON WITH CONCRETE PROGRAMS. I TOLD HIM THAT I THOUGHT A GREAT DEAL HAD BEEN ACCOMPLISHED IN SEVEN MONTHS AND THAT WE HAD TO GO THROUGH A FIRST STAGE IN OUR RELATIONS WHICH INVOLVED IDENTIFYING OUR GOALS AND PRIORITIES. HE AGREED THAT FOR SOME THIS HAD TO BE DONE, BUT HE SAID THAT HE WISHED WE COULD HAVE SKIPPED THIS PROCESS AND GOTTEN RIGHT TO PROGRAMS WHICH HE COULD HAVE IDENTIFIED AT OUR FIRST MEETING. I BELIEVE THAT THIS IS REALLY THE HEART OF HIS OBJECTIONS, AS EXPRESSED EARLIER TO ME AND AS REPORTED BY EMBASSY-- HE DOES SUPPORT THE COMMISSION BUT IS IMPATIENT WITH THE LEARNING PROCESS OTHERS NEED TO GO THROUGH. I FELT IT WAS A MOST PRODUCTIVE MEETING.

5. MEETINGS WITH MINISTER ABA AL-KHAIL. I HAD TWO LENGTHY AND VERY GOOD MEETINGS COVERING ALL ASPECTS OF THE COMMISSION ACTIVITIES. WE REVIEWED THE AREAS OF CONFIDENTIAL

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AGREEMENT AS OUTLINED ABOVE. HE SAID HE WAS VERY PLEASED WITH THE PROGRESS MADE DURING THE PAST SEVEN MONTHS. HE RECOGNIZED THE IMPORTANCE OF THE TECHNICAL COOPERATION AGREEMENT AND ASSURED ME THAT HE WOULD PUSH FOR FINAL APPROVAL QUICKLY (HE SAID WITHIN TEN DAYS). HE ASKED THAT WE PURSUE WASYS TO INVOLVE THE US AND SAUDI PRIVATE SECTOR. HE WAS PLEASED THAT I HAD THE OPPORTUNITY TO MEET AHMED JUFFALI AND GHAITH PHARAON, TWO LEADING SAUDI PRIVATE BUSINESSMEN. I SUGGESTED AND HE AGREED TO ARRANGE FOR A GROUP TO COME TO THE US AND MEET WITH A CROSS-SECTION OF US BUSINESSMEN. HE ALSO ASKED ME TO SUBMIT TO HIM POSSIBLE APPROACHES TO ESTABLISH A US-SAUDI BUSINESS COUNCIL. WE DISCUSSED THE IMPLEMENTATION ORGANIZATION PROPOSAL AND HE INDICATED THAT IT POSED DIFFICULTIES BECAUSE IT CUT ACROSS RESPONSIBILITIES OF VARIOUS MINISTRIES-- BUT HE SAID WE SHOULD THINK ABOUT WAYS OF DRAWING ON THE CONCEPT TO STRENGTHEN EXISTING INSTITUTIONS. HE SAID HE WAS PLANNING ON COMING TO THE US FOR THE COMMISSION MEETING AND WE SET FEBRUARY 26 AND 27 AS PROBABLY DATES.

6. COMMENTS ABOUT OIL POLICY. I WILL DISCUSS THIS
FURTHER ON RETURN, BUT PRACTICALLY EVERYONE DISCUSSED
US ENERGY POLICY. THEY SPOKE ABOUT SECRETARY
KISSINGER'S INTERVIEW AND COMMENTS AND UNFORTUNATELY
THE MEDIA MIS-STATED AND MISINTERPRETED WHAT IN FACT
HAD BEEN AID. I THINK I WAS ABLE TO ADEQUATELY
EXPLAIN OUR POSITION. ONE ISSUE THAT DID COME UP
SEVERAL TIMES WAS OUR POLICY TOWARD IMPORTED PETROLEUM
PRODUCTS. GOVERNOR TAHER OF PETROMIN, WITH WHOM I SPENT A LONG
TIME TALKING AT DINNER SATURDAY, STRESSED THAT A
HIGH PRIORITY FOR SAUDI INDUSTRIALIZATION WAS REMOVAL
OF THE US FEES ON IMPORTED PRODUCTS. THE SAUDIS ARE
SEEKING TO BUILD INCREASED REFINERY CAPACITY (THEIR
OBJECTIVE IS TO BE ABLE TO REFINER 4 MILLION BARRELS
PER DAY BY 1980), AND THE FEES ARE AN OBSTACLE. I
TOLD THEM THAT NOT ONLY WAS AN ELIMINATION OF THE
FEE NOT GOING TO HAPPEN BUT THAT IT WAS POSSIBLE THAT
THERE WOULD BE AN INCREASE AS A MEANS OF
REDUCING US DEMAND. AFTER EXTENSIVE DISCUSSIONS, I
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THINK THEY UNDERSTOOD THE POLICY, BUT THIS IS EFINITELY
AN AREA OF CONCERN TO THEM AND THERE MAY BE ROOM FOR
NEGOTIATION.FIRESTONE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, POLICIES, DIPLOMATIC DISCUSSIONS, INTERGOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JAN 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BRUSSE00193
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750010-0728
From: BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750163/aaaacdja.tel
Line Count: 251
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2003 by MartinML>; APPROVED <17 SEP 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VISIT TO SAUDI ARABIA -- JANUARY 4-6--BY ASSISTANT SECRETARY PARSKY
TAGS: EFIN, ENRG, EINV, SA, US, (PARSKY)
To: TRSY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006